



Doing Business In Korea A Country Commercial Guide for U.S. Companies

Chapter 4: Leading Sectors for U.S. Export and Investment

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Commercial Sectors

The following Best Prospects for U.S. Exports are arranged alphabetically.

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Agricultural Sector

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Defense Industry Equipment

ITA CODE: DFN

Overview

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	2005	2006	2007 (estimated)
<i>Total Market Size</i>	4,468	4,900	5,292
Total Local Production	4,100	4,200	4,536
Total Exports	262	300	324
Total Imports	630	1,000	1,080

(Unit: USD million)

[Source: Ministry of National Defense (MND), Korea Defense Industry Association (KDIA), Joint US Military Affairs Group-Korea (JUSMAG-K)]

[USD 1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

The Republic of Korea (ROK) is currently modernizing the armed forces to a level commensurate with the country's economic strength. The ROK is in need of significant materiel modernization and replacements that will involve major investments. Although U.S. defense companies have been very successful in selling their products to Korea, European and Middle East competitors who are becoming increasingly prominent in the market could influence future sales. Nevertheless, Korea should continue to be a good market for U.S. defense companies especially when competitive products and services are offered.

The 2006-2010 mid-term plan was developed in 2005 with an emphasis on securing a self-reliant national defense. The Korean military plans to obtain an independent intelligence gathering capability focusing on the peninsula and the surrounding area by securing Airborne Early Warning (AWACS) aircraft, high-altitude Unmanned Aerial Vehicles (UAV), and long-range intelligence equipment by 2010. The Ministry of National Defense (MND) plans to steadily raise defense spending to 3.5 percent of Gross Domestic Product (GDP), from the current 2.85 percent level, in the next few years. Economic constraints, steadily rising O&M costs, and payment schedules for past acquisitions complicate force development. Korea plans to invest about USD 54 billion in force improvement programs 2006 - 2010.

Recently interoperability has become less of a factor when purchasing equipment due to Korea's desire to increase competition and diversify sources of supply. It is also expected that there will continue to be tension between indigenous development and cost-effective acquisition. The MND is trying to solve this dilemma by demanding a high degree of technology transfer and offsets for projects. Currently the most important elements for purchasing decisions by MND are price, technology transfer and offsets. U.S. industry must closely follow any and all developments in programs and be prepared to move quickly if the need arises. The Korean government has made it clear that they will procure leading edge technologies to defend Korea, which presents opportunities for the U.S. defense industry.

South Korea plans to increase defense spending to USD 28.9 billion in 2008, which is a 9% increase vis-à-vis the year before. The defense budget will account for over 15% of overall government spending in Korea. The ROK has signaled that it will increase operating expenditures to USD 20.5 billion, while setting spending of USD 8.6 billion for expenditures leading to improvements in defense capabilities. The Defense Ministry has

identified key projects in the 2008 budget including the purchase or development of unmanned aerial vehicles, helicopters, infantry fighting vehicles and other ongoing projects like AEW&C, SAM-X surface to air missile and the Korean Multipurpose Helicopter.

Korean Air Force

Just like the Army and Navy, the Korean armed forces are gearing up to command its defense by 2012. With respect to the Air Force, this includes current negotiations to add an additional 20 F-15K fighters to the air fleet to replace ageing F-4 and F-5 legacy aircraft. The signing in 2006 for the purchase of Boeing E-737 AEW&C (AWAC) aircraft and development and production of up to 800 Korean Aerospace Industry T-50 jet fighter trainers in cooperation with Lockheed Martin signals Korea's intention to 1) increase air power and 2) develop a more indigenous aerospace industry for the local production of fixed wing, rotor wing, and UAV assets.

The Republic of Korea continues to negotiate the potential sale of its KAI T-50 trainer to the United Arab Emirates, and during the recently concluded Dubai Air Show, the UAE announced that the BAE Hawk was no longer being considered for the contract and that Alenia (Italy/Brazil/Switzerland) and KAI (Korea/USA) were the remaining contender for the contract.

Korean Navy

The Republic of Korea Navy plans to move to a full blue-water role by 2012, with a full range of vessels including transports, frigates, corvettes and submarine systems. Vessels like the Dokdo-class transport ship (built by Hanjin Heavy Industries) would be able to carry 700 marines, ten helos, and two LCACs. Likewise Hyundai is looking to build a 7,000 tonne destroyer with the Aegis combat system. With expenditures increasing for the Navy and Air Force, and Korea assuming its role of taking full command of its defense, the market for defense systems is improving.

Best Products/Services

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- Military Aerospace (fighters)
- Avionics
- C4ISR
- Missile technology
- Maritime Defense Electronics and Systems

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Airborne Mine-sweeping Counter Measures (AMCM; est. \$500 million)
The ROKN plans to procure eight MH-60 class mine warfare helicopters by 2011.

Next Generation Frigates (FFX)

The ROKN plans to deploy a total of nine 2,500 ton class frigates by 2018. The delivery of one ship per year will begin from 2010-2018.

Trade Shows

Korea Aerospace & Defense Exhibition (Seoul Air Show 2009)

Bi-annual: dates to be determined

Naval & Defense 2009

Bi-annual: dates to be determined

Key Contacts

Ministry of National Defense (MND)

www.mnd.go.kr

Defense Acquisition Program Agency

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Security Services and Products

ITA CODE: SEC

Overview

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	2005	2006	2007 (estimated)
<i>Total Market Size</i>	1,964	2,134	2,176
Total Local Production	838	9,112	9,294
Total Exports	N/A	N/A	N/A
Total Imports	1,069	1,158	1,181

** Demand for building security in 2007 is status-quo due to limited demand from new residential/commercial buildings while demand from existing residential/commercial and government buildings remains same as 2006.*

(Unit: USD million)

(Source: The above statistics are unofficial estimates by CS Korea. The total market size includes services and equipment. Statistics for local production and import data do not include security services.)

[USD 1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

In 2006, the overall size of Korea's security industry, including equipment and services, exceeded USD 2.1 billion. Provision of security guard services continued to account for over 50 percent of the total security market followed by leased and installed security equipment, which accounted for 25 percent of the market. Security devices took a 15 percent share. In 2006, the size of the security industry market increased by around 10%. In that year, airports and ports started to replace existing security systems while large private companies showed increasing interest in installing integrated security systems. The security industry is projected to grow by an average of 10 percent per year for the next few years.

Total imports of security equipment and related products in 2006 were estimated at USD1.2 billion. U.S. firms are the major suppliers of airport and port security equipment, which includes X-ray scanning systems, computerized tomography X-rays, magnetometers, hand-held detectors and explosive trace detectors. Total imports of airport and port security equipment in 2006 were estimated at USD 617.5 million. U.S. imports accounted for 25 percent at USD 154 million. CS Korea expects that U.S. imports will maintain a steady market share in Korea's import security industry for the foreseeable future.

Best Products/Services

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- Detection units for passenger baggage and cargo screening and their parts & components
- Drug/explosive detect/analyzing systems
- Explosive detection security systems integration for ports and airports
- Container Screening systems

Opportunities

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The local security equipment manufacturing industry's technology level lags behind that of the major NATO member countries, especially in the area of providing high-end security solutions and C4ISR infrastructure to meet end-user requirements. As a result, the industry's major Korean players, who are also systems integrators, are seeking opportunities to develop top-notch technology in cooperation with foreign companies.

Government agencies are end-users for integrated systems for security devices and command and control infrastructure. In particular, airports, ports, and customs offices are seeking advanced integrated security systems devices. U.S. companies have a larger share of the Korean market for X-ray detection systems and container inspection systems than European and Japanese firms. U.S. systems, certified by the Transportation Security Administration (TSA) and the Federal Aviation Administration (FAA), should have growing market opportunities in Korea due to confidence in the quality of systems with these certifications. U.S. companies are encouraged to monitor government procurement plans and establish consortia with prime Korean contractors in systems integration.

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Trade Shows

SecuWorld 2008
June 25-27, 2008
<http://www.secuexpo.com/>

Korea International Safety & Security Exhibition
June 30-July 3, 2008
www.KISS21C.org

Key Contacts

Civil Aviation Safety Authority
www.casa.go.kr

Incheon International Airport Corporation (IIAC)
www.airport.or.kr

Korea Fire Equipment Inspection Corporation
<http://www.kfi.or.kr/>

Korea Occupational Safety & Health Agency
www.kosha.net

Civil Defense and Disaster Management Bureau
Ministry of Government Administration and Home Affairs
<http://www.mogaha.go.kr>

Fire Administration Bureau
Ministry of Government Administration and Home Affairs
<http://www.mogaha.go.kr>

Anti Terror Division
National Police Agency
<http://www.npa.go.kr/eng/index.jsp>

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Specialty Chemicals

ITA CODE: ICH

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	2004	2005	2006 (estimated)
Total Market Size	25,093	25,775	27,292
Total Local Production	20,139	20,563	22,000
Total Exports	2,934	3,042	3,612
Total Imports	7,889	8,254	8,903

(Unit: USD million)

(Source: Korea Specialty Chemical Industry Association)

[USD 1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

Korean demand for high quality, sophisticated chemical products and associated substances for the development of new products is steadily increasing. In 2006, the total market size of Korea's specialty chemicals was USD 33.4 billion, a 6 percent increase over 2005. Total imports of specialty chemicals increased by 18 percent in 2006, during which time imports from the U.S. increased by 12 percent to reach 1.57 billion. The U.S. has a 15 percent share of the specialty chemical import market.

The specialty chemical industry is projected to grow by seven percent over the next few years and is expected to result in a nine percent annual increase in demand for specialty chemical imports. In the specialty chemicals area, Korea lacks advanced chemical materials and technology, and has not made significant investments in R&D despite growing demand in the pharmaceutical, cosmetic/perfume, photochemical, and paint and ink industry sectors. As a result, Korea continues to heavily depend on imports to meet demand for intermediate raw materials and newly developed chemical products.

Best Products/Services

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- Specialty chemicals for the medical and pharmaceutical industries
- Specialty chemicals for the cosmetics industry

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Market demand continues to grow especially from Korean companies in the medical, pharmaceutical and cosmetic industries. These companies are very interested in using advanced chemical materials to produce new products. The technological level of domestic producers appears to be on par with advanced countries in terms of basic science and technology; consequently, newer technology is also very welcome. Korean government agencies continue to actively pursue alliances with multinational companies in countries with an advanced chemicals industry to secure know-how for the production of high-end medical, pharmaceutical, cosmetics and biochemistry products.

Trade Show

XpoChem Conference 2008 (Annual)

Date to be determined

www.kscia.or.kr

American Association of Clinical Chemistry

July 27-31 in Washington, DC

http://www.aacc.org/AACC/events/ann_meet/

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Ministry of Environment

www.me.go.kr

Ministry of Labor

www.molab.go.kr

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Drugs and Pharmaceuticals

ITA CODE: DRG

Overview

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	2005	2006	2007 (estimated)
Total Market Size	10,495	12,359	13,711
*Total Local Production	9,670	11,102	12,362
**Total Exports	419	493	562
**Total Imports	1,244	1,749	1,912
**Imports from the U.S.	152	225	246

(Unit: USD million)

[USD1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

Sources: U.S. Commercial Service Korea, * Korea Pharmaceutical Manufacturers Association (KPMA), ** Korea Pharmaceutical Traders Association (KPTA)

Note:

- 1) Local production includes production by multinational firms.
- 2) Total market size was estimated using the following formula: Total Local Production + Total Imports – Total Exports = Total Market Size. However, according to IMS Korea statistics, Total Market Size reached USD 7.7 billion in 2005, USD 9.2 billion in 2006 and an estimated USD 10.2 billion in 2007. IMS data is primarily sourced from end-users.

The Korean market, the 12th largest pharmaceutical markets in the world, was valued at USD 9.2 billion in 2006. According to industry sources, Korean market demand for pharmaceuticals is estimated to have grown by approximately 10 percent in 2007 to reach USD 10.2 billion and is forecast to grow at an average annual rate of 10 percent over the next several years since the need for medical treatment for senior citizens is increasing rapidly.

The Korean pharmaceutical market has continued to experience unprecedented restructuring since 1999, when the Korean government implemented significant reforms to improve the transparency of the health care system. These reforms have helped increase transparency in the reimbursement system and have, to some degree, leveled the playing field for multinationals. There have also been positive changes in the regulatory climate that have allowed smoother and earlier market access for new, innovative drugs. Multinationals have expanded their share of the total therapeutic (ethical and over-the-counter) pharmaceutical market from 35.7 percent in 2005 to 36.6 percent in 2006.

Over the next few years, one important factor that may slow the growth rate in overall market demand and hamper patient access to innovative pharmaceuticals will be the measures taken by the Korean government to finance the national healthcare insurance system. The Korean government has implemented the National Health (NHI) Insurance Drug Expenditure Rational Plan (DERP) as of December 29, 2006. The key contents of the DERP included a change in the management system from a Negative List System in which all medicines were, in principle, covered by insurance, to a Positive List

System in which mainly the medicines that are superior in cost effectiveness are covered by insurance. Additionally, the National Health Insurance Corporation (NHIC), the single payer, has introduced a price negotiation procedure which determines whether a new drug should be listed and at what price.

Notwithstanding the Korean government's cost containment measures, the U.S. government will continue to work closely with and advocate on behalf of U.S. exporters' market access concerns. This includes continuing to encourage the Korean Government to make the market more transparent, to reimburse innovative drugs at appropriate levels, and to ensure Korean patients' access to innovative pharmaceuticals. Industry sources speculate that the Korean government's need to reduce costs will be balanced by satisfying consumer demands for advanced health care over the next few years. We advise U.S. exporters of research-based, innovative drugs to evaluate the impact of the new reimbursement system on their potential sales before entering this lucrative and growing, but challenging, market.

With the Korean government's encouragement, the Korean biotech pharmaceutical industry is striving to invest more in R&D (currently only 4-5 percent based on sales revenue) and diversify from the production of generics and antibiotics. This trend presents excellent opportunities for U.S. biotech firms to participate in Korea's strategic biotech sector. Although Korea's pharmaceutical industry is competitive in terms of chemical synthesizing technologies, it is much less competitive in drug screening, safety evaluation and clinical trials. Korean companies are pursuing strategic alliances with multinational firms to finance R&D for new products or for cross licensing of existing technologies. Industry experts predict that the U.S. market share will increase as more U.S. biotechnology-based products become commercially available over the next few years.

Best Products/Services

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-Therapeutic pharmaceuticals

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The Osong Bio-Technopolis, a program within the Korean Ministry of Health and Welfare, is seeking foreign investment for biotechnology industry development in the high-tech science park at Osong. The 4,633,000 square meter science park will have two major focuses: pharmaceuticals and cosmetics (59.7 percent) and medical devices (25.8 percent). Since the Korean biotech industry is still relatively undeveloped, the timing may be good for U.S. companies interested in getting in on the ground floor.

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Trade Shows

N/A

Key Contacts

Ministry of Health and Welfare

www.mohw.go.kr

Korea Food & Drug Administration

www.kfda.go.kr

Health Insurance Review Agency

www.hira.or.kr

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Medical Equipment and Devices

ITA CODE: MED

Overview

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	2005	2006	2007 (estimated)
Total Market Size	2,534.0	3,038.8	3,379.7
Total Local Production	1,704.1	2,051.7	2,263.1
Total Exports	715.8	821.7	914.4
Total Imports	1,545.6	1,808.8	2,031.0
Imports from the U.S.	520.1	609.8	690.5

(Unit: USD million)

(Source: Korea Medical Devices Industry Association)

[USD1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

One of the largest Asian markets for medical devices, the Korean market was valued at USD 3.0 billion in 2006 and is expected to increase to approximately USD3.4 billion in 2007. According to industry sources, the medical equipment market is forecast to grow at an average annual rate of 10-15 percent over the next few years. However, one important factor that may slow the growth rate will be the pricing and reimbursement measures that the Korean government grapples with the national healthcare system. For example, the Korean government implemented two-phase price cut for medical devices as of November 1, 2007

Korea depends on advanced medical devices from the U.S., Japan, and the EU to supply about 60 percent of total market demand. In 2007, total imports of medical devices were estimated at USD 2.0 billion, with U.S. imports, estimated to be USD 691.2 million, representing a 34 percent import market share. Market demand for advanced and innovative medical devices is forecast to remain strong in 2007 and over the next several years as Korea's hospitals continue to purchase advanced technology products from abroad and as increasing numbers of elderly Korean patients require sophisticated medical procedures. In general, Koreans are increasingly demanding better care from their national healthcare system as the standard of living continues to improve in the world's eleventh largest economy. Another factor favoring the use of imported advanced medical equipment and devices is the growing number of Korean doctors educated in the U.S. and Europe.

Best Products/Services

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- Cardiovascular devices (e.g. stents, angio cath)
- CT units
- MRI units
- Dental Implants
- Orthopedic implants and joints
- Hemodialysis
- Laser surgical apparatus
- Ultrasonic imaging system
- Sight corrective ophthalmic lens
- etc.

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The Korean government is constructing world-class hospitals with 600-800 beds in the Incheon Free Economic Zone (FEZ). The first hospital at the FEZ is targeted to open in 2010. Since this is the first time that Korea has invited foreign capital participation in healthcare, the development of the Incheon FEZ provides a good export opportunity for U.S. suppliers of high-end medical equipment and devices.

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Trade Shows

Korea International Medical, Clinical, Laboratories & Hospital Equipment Show 2008
www.kimes.co.kr

Key Contacts

Ministry of Health and Welfare
www.mohw.go.kr

Korea Food & Drug Administration
www.kfda.go.kr

Health Insurance Review Agency
www.hira.or.kr

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Wireless Broadband Internet Equipment and Services

ITA CODE: CSV

Overview

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	2005	2006	2007 (estimated)
Total Market Size	N/A	610.5	801.9
Total Local Production	N/A	463.2	628.2
Total Exports	N/A	10.5	20.4
Total Imports	N/A	157.9	194.1

(Unit: USD million)

[Source: The above statistics are unofficial estimates by Commercial Service Korea.]

[USD1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

Korea ranks among the top countries in the world for Internet usage and broadband penetration and has one of the highest numbers of broadband subscribers among all OECD countries. Korea's total number of broadband subscribers is estimated to have reached 98 percent of the nation's 15 million households as of the end of 2007 and therefore, service providers are planning for more valued-added services including wireless broadband service and Internet protocol television (IPTV).

Wireless Internet access service in Korea can be categorized into two major services; fixed wireless Internet (WLAN) based on WiFi or Wimax technology, and mobile internet based on code division multiple access (CDMA) technology. Mobile and WLAN services enable users to access all Internet services on handheld devices without cable connections, allowing mobility and convenience. However, in order to satisfy demand for higher bandwidth and mobility over the existing wireless Internet, new "mobile Wimax," or "Wireless Broadband" (WiBro), service was commercialized in June 2006 by KT and SK Telecom using the 2.3 GHz spectrum with limited coverage in Seoul. WiBro will become the foundation of "Ubiquitous-Korea," a seamless Internet access/communication environment planned by the Korean government in cooperation with industry. The WiBro service market is expected to attract 600,000 subscribers in 2008, up from 100,000 subscribers in 2007, driving more demand for hardware and applications.

WiBro technology is part of the IEEE802.16 family of wireless Internet specifications, Wimax, and is expected to offer up to 5-15 Mbps bandwidth to mobile devices traveling at over 60 kilometers per hour (about 37 miles per hour). Major local companies, including Samsung, LG, and PosData, as well as the Electronic Technology Research Institute (ETRI), a Ministry of Information and Communication (MIC)-sponsored R&D think tank, are developing a new standard with the help of the Telecom Technology Association (TTA). The development includes the evaluation and adaptation of different types of foreign and local technologies. ETRI will play a major role in developing and localizing WiBro core technology. The institute plans to make at least 20 percent of the technology homegrown in order to minimize the payment of licensing fees to foreign firms. This aggressive agenda calls for immediate R&D and infrastructure investment for new WiBro technologies by foreign companies since the Korean government has realized the importance of global standardization in order to export new technologies.

Korea's global leadership in wireless communications and broadband Internet access services has spawned tremendous demand for all types of equipment, contents, and solutions, especially for specialized and innovative technologies, providing opportunities for sales of advanced and highly specialized U.S. telecommunications equipment, solutions, and contents.

Best Prospects/Services

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- WiBro Technologies
- Internet Protocol (IP) TV Technology and Digital Content
- High Speed Data Packet Access (HSDPA) 3.5G Technology

Opportunities

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Market demand for WiBro services should drive investment in the telecom sector for the next five years. Nationwide infrastructure installation for WiBro will be deployed in 2008, and more “killer applications” and relevant services including triple play services (TPS), Internet protocol TV, and video on demand (VoD) are expected to be introduced by KT, SK Telecom, Hanaro Telecom, etc. triggering more service and content demand.

According to MIC, the market demand for WiBro service is expected to reach USD 1 billion by 2011 with nine million subscribers and will eventually transition to the 4th generation next generation network (NGN) telecom network. The total market demand for mobile WiMax equipment and solutions is expected to reach a total of USD 2 billion over the next three years.

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Trade Shows

World IT Show 2008 (June 17-23, 2008)

<http://www.sek.co.kr>

<http://www.wisexpso.co.kr>

Smart Home Network Show (June 10-12, 2008)

<http://www.smarthomeshow.com/en>

2008 IT EXPO BUSAN (September 3-6, 2008)

<http://www.itexpo.or.kr/2007/english/index>

KES 2008 (October 14-18, 2008)

<http://www.kes.org>

IT-SoC Fair 2008 (October 15-16, 2008)

<http://www.it-soc.org/English/index.asp>

Key Contacts

Ministry of Information and Communication (MIC)

<http://www.mic.go.kr/index.jsp>

Radio Research Lab (RRL)

<http://www.rri.go.kr/eng/index.jsp>

Telecommunications Technology Association (TTA)

<http://www.tta.or.kr/English/new/main/index.htm>

Electronics and Telecommunications Research Institute (ETRI)

http://www.etri.re.kr/www_05/e_etri/

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Computer Software

ITA CODE: CSF

Overview

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	2005	2006	2007 (estimated)
Total Market Size	5,992	5,786	6,023
Total Local Production	5,603	5,368	5,568
Total Korean Exports	125	123	123
Total Imports into Korea	514	541	577

(Unit: USD million)

[Source: The above statistics are unofficial estimates by Commercial Service Korea for the packaged software market]

[USD1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

The Korean market for packaged software, including systems infrastructure software (e.g. operating systems, security software), application software (e.g. Word, Excel, enterprise solution packages), and application development/deployment software, was valued at USD 5.9 billion in 2007. Forecasts are for the market to reach USD 6.33 billion in 2008 and grow at an average annual rate of 8 percent for the next three years. Korea's global leadership in wireless communications and broadband Internet access services has spawned tremendous demand for all types of software, especially for specialized and innovative technologies, providing opportunities for sales of advanced and highly specialized U.S. software solutions. U.S. suppliers' willingness to customize their software to meet specific user needs is a critical factor in end-user purchase decisions. Although U.S. software is considered superior, Korean end-users, more often than not, will avoid purchasing from U.S. suppliers if localization cannot be achieved.

In 2007, the total import market for packaged software represented 3.1 percent of the total market demand valued at USD 19 billion, which, in general, consists of packaged software, computing-related services/software, and digital contents. Although the statistics show the import market share to be relatively low, in reality, the substantial amount of localized or customized software and systems integration (SI) services provided by major U.S. subsidiaries that participate in large projects as strategic partners are counted in the total Korean software market share.

U.S.-sourced packaged software accounts for more than 80 percent of Korea's software import market, and U.S. suppliers are expected to remain the principal suppliers of packaged software to Korea for the next several years. Technological advancements in Korea's software sector are still behind that of the U.S. and Japan, a result of Korea's relatively recent computerization and an acute shortage of highly qualified software engineers. Korea's systems integration companies and software developers are actively trying to develop partnerships with global leaders in every segment of IT services and solutions to deliver total solutions to clients in a time-to-market manner and to target the domestic and global market at the same time. U.S. suppliers will continue to enjoy the competitive advantages of strong project management and marketing skills, compared to Korean firms and third-country suppliers.

The overall market demand for packaged software has been growing in relation to the development of Korea's advanced IT infrastructure and related services in the e-commerce and telecom segments and will continue to grow at an average annual rate of 8 percent for the next three years. The fact that the Korean government has increased efforts to strengthen its IPR protection and enforcement through the Computer Program Protection Law (CPPL) has also contributed to the strong growth in demand for both Korean and imported packaged software.

Best Prospects/Services

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- Systems Integrations/IT Services/Software as a Service (SaaS) in Finance, Telecom and the Public Sectors
- Digital Content Development Services/Internet Protocol TV
- Enterprise Solutions Upgrade Projects by Both Major Enterprise and Small-and-Medium Firms

Opportunities

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The market demand for IT services, digital content, and security software are forecast to experience strong growth, driven by mergers and acquisitions among Korea's financial institutions. Companies should expect continued investment in wireline/wireless broadband convergence infrastructure, as well as by growing demand for upcoming Internet Protocol TV.

Resources

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Trade Shows

KEPES 2008 (February 20-22, 2008)

<http://www.kepes.co.kr/english/index.asp>

KPCA Show (International Electronic Circuits Show) 2008 (April 23-25, 2008)

www.kpca-show.co.kr

Electric/Power Korea 2008 (May 14-16, 2008)

http://www.electrickorea.org/e_index.asp

World IT Show 2008 (June 17-23, 2008)

www.sek.co.kr

Security World Expo 2008 (June 25-27, 2008)

<http://www.securexpo.com>

2008 IT EXPO BUSAN (September 3-6, 2008)

<http://www.itexpo.or.kr/2007/english/index.htm>

KES 2008 (October 14-18, 2008)

<http://www.kes.org>

IT-SoC Fair 2008 (October 15-16, 2008)

<http://www.it-soc.org/English/index.asp>

Seoul International Electric Fair 2008 (October 28-31, 2008)

<http://www.kintex.com/english/main.jsp>

RFID/USN KOREA 2008 (November 5-7, 2008)

<http://www.rfidkorea.or.kr>

E-Biz Expo 2008 (November 20-22, 2008)

www.ebizexpo.co.kr

Key Contacts

Ministry of Commerce, Industry and Energy (MOCIE)

<http://www.mocie.go.kr/eng/default.asp>

Ministry of Information and Communication (MIC)

<http://www.mic.go.kr/index.jsp>

Radio Research Lab (RRL)

<http://www.rrl.go.kr/eng/index.jsp>

Korea Association of RFID/USN (KARUS)

<http://karus.or.kr/eng/index.asp>

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Cosmetics

ITA CODE: COS

Overview

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Unit: USD million

	2005	2006	2007 (Estimated)
Local Production (Not including exports)	4,631	5,041	N/A
Exports	269	302	334
Imports	500	597	N/A
Imports from U.S. (Included in imports)	115	145	N/A
Total Market	5,400	5,941	6,172

[USD1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

Source: Korea Cosmetic Association, Korea Pharmaceutical Traders Association, And Amore Pacific 2007 Cosmetic Industry Forecast

During the last few years, Korean women have become more receptive to western health and beauty items. As more Korean women enter the labor force and experience rising incomes, they have become avid users of imported cosmetics, yielding significant gains for U.S. suppliers. Other trends have developed in tandem with the continued strong expansion of the Korean market for imported cosmetics. As Koreans tend to be more health-conscious, following the “well-being” trend, they prefer natural and “green” cosmetics products. Also, since Korean women want to look younger and healthier, functional cosmetics, so-called cosmeceuticals, focusing on anti-aging, whitening, and anti-ultraviolet care have become very popular. Another trend is that Korean men are also becoming significant consumers of cosmetics, providing opportunities for cosmetics companies featuring men’s lines. As the Korean cosmetics market continues to be polarized, with products focused at the premium end and at the lower-priced, mass-market end, two distinct groups of consumers are the target audiences: those shopping at low-cost cosmetics franchise stores and those shopping for very expensive and luxurious cosmetics at department stores. The U.S. - Korea Free Trade Agreement (KORUS FTA) signed between both nations in June 2007 has the potential to bring further advantages for U.S. exporters as Korean tariffs on imported U.S. cosmetics are eliminated over three to ten years. These market trends portend good opportunities for U.S. companies in the years ahead.

Some foreign cosmetics companies claim that the importation process is unnecessarily complex and time-consuming. The Korean government has announced that it will increase the budget to hire more personnel to handle the Korea Food and Drug Administration’s (KFDA) testing and approval process due to the increasing number of cosmeceutical products entering the market.

Sales of men’s cosmetics in Korea have increased significantly, to approximately USD 520 million or about nine percent of the overall market in 2007. This market segment is estimated to continue healthy growth in 2008 to USD 563 million (source: Amore Pacific). This growth reflects the trend that men have expanded their interest from simple skincare to other cosmetics, such as facial scrubs, facial masks, congealers, SPF products, and other cosmeceutical products.

With this trend, men's skincare salons have opened in business districts, providing one-stop total beauty and hair care services including hair cutting, perms, treatments, as well as facials. To meet this increasing demand for men's skincare products, many department stores have opened men's cosmetics counters on the men's floor featuring multiple brands, such as Clinique, Clarins, and Biotherm with after-shave lotions, cleaning foams, facial scrubs, facial packs, essences, and other functional cosmetics.

According to research from the Korea Cosmetic News, skin care products make up about 15 percent of the total cosmetics market, or about USD 903 million. Imported cosmetic skin care products accounted for about 50 percent of the USD 903 million, or USD 451.7 million. The most sought after products by consumers are cosmeceuticals such as whitening and anti-wrinkle products. Also, as more consumers become aware of natural ingredients, and as their preference for natural/organic products increases, local industry is focusing on developing natural/organic products.

Best Prospects/Services

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- Men's Cosmetics
- Natural/Organic Skincare Products
- Cosmeceuticals

Opportunities

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The cosmetics/cosmeceuticals industry's retail distribution channels have expanded in the last several years. The recent introduction of on-line shopping malls, television home-shopping channels such as QVC, pharmacies/drug stores, and catalogue orders have emerged as challengers to traditional retail channels such as direct selling, multi-level marketing, "mom and pop" stores, specialty retail establishments, department stores, discount stores, etc.

There are currently three major franchised drug stores competing in the local market, Olive Young by CJ, W-Store by Kolon, and GS Watson's by GS in partnership with Watson's. These retailers target customers focusing on wellness products by providing organic/natural cosmetics, nutritional supplements, OTC drugs, and general consumer goods. U.S. companies should seek opportunities in line with this new retail concept.

Resources

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Major Show

Name: Cosmobeauty Seoul

<http://www.cosmobeautyseoul.com/en/index.php>

Key Contacts

Korea Food & Drug Association (KFDA)

<http://www.kfda.go.kr/>

Korea Pharmaceutical Traders Association (KPTA)

http://www.kpta.or.kr/E_main.asp

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Travel and Tourism

ITA Industry Code: TRA

Overview

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	2005	2006	2007 (Estimated)
Outbound Travel	10,080,143	11,609,878	13,000,000
Outbound Travel to the U.S.	665,181	800,000	880,000
Inbound Travel	4,347,318	6,155,047	6,350,000

Source: Korea Tourism Organization

Interest in international travel by Koreans has been spurred by rapidly rising GDP, gradual increases in leisure time, heightened globalization, and greater awareness and interest in developments outside the Korean peninsula. Korea's per capita GDP has risen to almost USD 24,000, placing it securely in the ranks of middle-income countries. Korean consumer confidence also has increased along with a sharp rise in discretionary spending for such activities as overseas travel for both business and leisure. Korea also has begun to upgrade its domestic tourism sector infrastructure.

With these changing cultural and income factors, conditions look promising for more growth in the outbound Korean travel market. Koreans are showing an increased desire to travel to the U.S. despite the lengthy travel time and the relatively high airfares required to make the trip. The Korean mass media is influenced by U.S. movies, advertising, popular culture, and most recently, the Internet, which continue to stimulate Koreans' interest in U.S. travel destinations. Koreans overwhelmingly choose the U.S. as a non-Asian destination because of the diversity of tourism opportunities not easily available back home, including U.S.-style shopping, theme parks, cultural attractions in major U.S. cities, relatively inexpensive golfing experiences, and the major U.S. national parks.

In 2007, 13 million Koreans traveled abroad, an increase of 10.6 percent over 2006. The Korean Tourism Organization (KTO) estimates that 880,000 Koreans traveled to the U.S. in 2007, a 10 percent increase over 2006, when 800,000 visited the U.S. The number of Korean travelers to the U.S. has varied greatly over the past decade. Prior to the Asian financial crisis in 1997, 806,264 Koreans traveled to the U.S., then sharply decreased. Since then, the numbers slowly picked up back to 719,227 by 2000. However, the September 11, 2001, terrorist attacks caused the number of travelers to the U.S. to decrease. Only recently are the numbers beginning to surpass 1997 levels. Competition from other destinations that do not require visas, such as Japan and Southeast Asian countries, is strong. Thailand is becoming a popular honeymoon destination. The stricter U.S. visa regime put in place following 9/11, which requires the U.S. Embassy to fingerprint and interview all applicants for U.S. visas, has dampened some interest in leisure travel to the U.S. However, recent legislative changes in the U.S. make it likely that Korea will join the Visa Waiver Program within a few years, which will increase the number of Korean travelers to the U.S.

As reported by the U.S. International Trade Administration, Korea is currently the seventh-largest source of inbound travel to the U.S., behind Canada, Mexico, the United Kingdom, Japan, Germany, and France. In 2006, Korea accounted for a modest one percent of the total 51 million foreign visitors to the U.S.

Best Prospects/Services

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- High quality group package tours to the U.S.
- Family/leisure trips

Opportunities

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Following traditional travel patterns and because the U.S. is a country that offers a variety of activities, climates, and cultural experiences, the U.S. is by far the leading non-Asian destination for Koreans. KTO figures indicate that in 2007, a record 13 million Koreans traveled to other countries. Out of the top five destinations for Koreans, China ranked number one, followed by Japan and the U.S. Travelers to the U.S. account for 6.5 percent of the Korean outbound tourism market. Korean travel industry sources indicate that Los Angeles, San Francisco, Las Vegas, and Seattle are the most popular U.S. destinations, followed by the East Coast New York-Washington D.C corridor. United Airlines expanded its routes to include non-stop service between Seoul and San Francisco in March 2006; Korean Air inaugurated direct non-stop flights between Seoul and Las Vegas in September 2006; Delta Air Lines launched its direct link between Seoul and Atlanta in June 2007; and Korean Air has increased the frequency of service from Seoul to its Honolulu and Dallas markets.

Koreans usually travel to the U.S. on package group tours or individually to visit their friends, families, and relatives. The market for group tours has untapped demand for higher-class services that provide a variety of activities and cater to the more sophisticated tastes of seasoned Korean travelers. Koreans who travel to the U.S. are very much interested in visiting not only museums and amusement parks, but in looking for bargains at fashion outlets, playing golf, and visiting wineries.

Resources

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Major Show

Name: Korea World Travel Fair
<http://www.kotfa.co.kr/eng/main/main.htm>

Key Contacts

Korea Tourism Organization
http://english.tour2korea.com/07T2KZone/aboutUs/top_tour2korea.asp?konum=1&kosm=m7_7

Ministry of Culture and Tourism (MCT)
<http://www.mct.go.kr/english/index.jsp>

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Broadcasting Services and Equipment

ITA CODE: AUV

Overview

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	2005	2006	2007 (E)
Total Market Size	253	238	245
Total Local Production	26	27	30
Total Exports	N/A	10	15
Total Imports	217	201	200

(Unit: USD million)

[USD1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

(Source: Ministry of Information and Communication)

Driving the development of digital content are new and potentially exclusive channels, basic and premium tier channels, plus on-demand content from domestic and foreign program suppliers. The business of digital programming and content is made highly attractive by significant competition from cable, the rise in direct to home (DTH) services, the advent of Internet protocol television (IPTV), a projection that the digital TV universe will be almost all-pay by 2015, and major gains in consumer purchases of digital set-top-boxes (STBs). It is forecast that total subscription revenues for pay TV will grow from USD 131 million in 2004 to over USD 427 million by 2010 and will be USD 658 million by 2015.

Cable TV was launched in Korea with analog broadcasting service in 1995 featuring 24 channels (program providers) delivered by 54 cable system operators (SOs). Currently, 103 SOs are transmitting cable TV content. Digital terrestrial TV was introduced in 2001, and digital cable TV services launched in 2004. As a result, Korean cable TV SOs and program providers need to digitize most of their broadcasting facilities from 2003 to 2010. After the introduction of DTH services in 2000, the Korea Digital Satellite Broadcasting consortium (KDB) acquired the necessary license and launched pay TV services in March 2002 via its DTH satellite platform SkyLife. SkyLife acquired more than 1.96 million digital DTH subscribers in 2007, a 10.7 percent penetration rate of TV households in Korea.

Attracting portable TV viewers is becoming more competitive. Since December 2005, terrestrial providers have moved into digital multimedia broadcasting (DMB), which allows viewers to watch TV via a cell phone. The rapid growth of DMB has become a hot trend, drawing the attention of the media and consumers. According to the Ministry of Information and Communication (MIC), the number of satellite DMB subscribers reached over two million as of October 2007. These new satellite DMB services enable viewers to consume different types of video content, but they are discovering that content is severely lacking. Lack of available content has forced providers to show amateur videos – to fill time, a provider broadcast the finalists of a university student video contest. According to the Korea IT Industry Promotion Agency, the market demand for digital video content is relatively small, at approximately 5.5 billion Won, around USD 5.4 million, in 2005. However, the industry is forecast to grow to be worth several billion dollars by 2010 as new service platforms are implemented.

In 2005, market demand for TV broadcasting equipment and services reached an estimated USD 240 million. Although equipment is currently being procured primarily for terrestrial TV broadcasting, the market demand for digital equipment for cable and satellite TV services is forecast to be very strong over the next three to five years. There are no major market access barriers for broadcasting equipment, and most categories of equipment enter Korea with an eight percent duty based on cost-insurance-freight (c.i.f.) value.

Spending among the multi-station operators (MSO) has driven opportunities for suppliers of digital equipment for terrestrial broadcasting. In March 2004, the National Assembly revised the broadcasting law allowing for the establishment of digital services. The law also allows increased foreign investment in Korean SOs and program providers. This investment will speed up the deployment of digital cable TV, which in turn means increased opportunities for equipment suppliers and program providers.

Best Products/Services

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- Broadcasting equipment (encoding/multiplexing/modulating equipment)
- Test and measurement equipment
- Graphic equipment
- Production equipment
- Video servers and switchers

The shortage of quality content to supply the growing new service platforms represents a real opportunity for U.S. content providers. The best prospects for imported content and programming are in the areas of movies, sports, animation, drama, and documentaries.

Opportunities

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Korea maintains certain broadcasting quotas (e.g., cable companies are limited to using no more than 20 percent of their channels for foreign channel retransmissions, and local content must account for 35 percent of animation channel programming). While these are market barriers, there is a general dearth of local content, so foreign content is still in demand.

The surge of investment in new broadcasting services represents important opportunities for U.S. program providers (PPs). Korea currently has four terrestrial TV networks, 160 satellite TV channels, and approximately 70 cable TV channels. After the launch of digital satellite and digital cable TV services, the current total number of Korea's satellite and cable channels reached approximately 200. Also, the number of subscribers to the satellite and expanded cable TV services reached more than 80 percent of all households in Korea and will create great demand for foreign programming. Currently, U.S. programming accounts for approximately 70 percent of all imported programming. With the popularity of U.S. programming in Korea and the enormous projected increase in channels, U.S. PPs are well positioned to expand rapidly in Korea's growing market. As of December 2007, there were about 200 registered PPs in Korea. Among this number, approximately 70 PPs are responsible for the majority of activity in the market, providing programming both to satellite and cable

TV channels. Although digital broadcasting equipment for terrestrial TV services is forecast to remain the largest market segment through 2010, Korea's launch of digital satellite and digital cable TV broadcasts will continue to bolster strong market demand over the next three years.

KDB, the platform operator for satellite TV in Korea, projects purchases of digital broadcasting system equipment to average USD 14.5 million annually over the next seven years. However, the investment plan is contingent upon increases in the numbers of subscribers. KT (Mega TV), Hanaro Telecom (Hana TV), and LG Dacom (My LG TV) launched and aggressively promote digital video services (or IPTV) over ADSL, VDSL, and fiber to the home (FTTH) networks. Also, non-network operator Daum plans to launch service soon, in cooperation with Microsoft. This may take longer to execute due to regulatory restrictions, but the threat of an integrated product bundle will clearly be a challenge to cable. As a result, SOs are increasingly focusing their efforts on deploying digital set-top-boxes in volume, bundled with both Internet and, in the future, VoIP services.

Resources

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Trade Shows

Korea Electronics Show

<http://kes.org/kes2006/eng/main/index.html>

Korea International Broadcast, Audio and Lighting Equipment Show (KOBA)

<http://www.koba.or.kr/eng/main.asp>

World IT Show 2008

<http://www.worlditshow.co.kr/eng/index.php>

Key Contacts

Ministry of Information and Communication (MIC)

<http://www.mic.go.kr/index.jsp>

Korea Broadcasting Commission

<http://www.kbc.go.kr/english/index.jsp>

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Education and Training Services

ITA CODE: EDS

Overview

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	2005	2006	2007 (E)
Total Market Size	107,525	104,018	114,420
Total Local Production	102,320	98,740	108,720
Total Exports	N/A	2	3
Total Imports	5,205	5,275	5,697

(Unit: USD million)

[USD1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

(Source: Ministry of Education and Human Resources, Korea National Statistical Office)

Korea's education market plays a significant role in the country's overall economy and offers exceptionally good opportunities for the U.S. education sector. According to the Organization for Economic Cooperation and Development (OECD), Korea is one of the largest investors in education among developed countries. Korea's education sector offers good opportunities for U.S. educational institutions because Koreans still prefer the U.S. to other nations competing for education dollars. The Korean market also looks promising for cooperative programs involving e-learning and educational training in the fields of language training, business administration, and technical programs.

Higher education throughout Korean history has been synonymous with privilege and power. A degree from a well-known institution is a status symbol and essential for finding the right job in the right company. Coveted spaces in Korea's top schools are open for competition from all students, but are attainable only by a few. Many talented students opt for the best schools overseas. The desire to obtain a diploma from an accredited overseas school translates into opportunities for U.S. schools to recruit some of Korea's most talented students, and Koreans remain willing to spend a substantial portion of their incomes on education.

The market for overseas education continues to grow and is being augmented by e-learning as well as business training. According to the Student and Exchange Visitor Information System (SEVIS), U.S. Immigration and Customs Enforcement, as of October 2007, 107,834 students from Korea were studying in the U.S. Korea is the leading supplier of foreign students to the U.S., followed by India and China, for the third year in a row.

Rank	Place of Origin	2005	2006	October, 2007
1	Korea	81,616	93,728	107,834
2	India	67,761	76,708	95,525
3	China	54,562	60,850	75,744
4	Japan	49,422	45,820	45,207

Source: Student and Exchange Visitor Information System (SEVIS), U.S. Immigration and Customs

The Korean Ministry of Education statistics indicate that as of April 2007, a total of 217,959 Korean students were studying abroad. The U.S. (27.1 percent), China (19.4

percent), U.K. (8.4 percent), Australia (7.6 percent), Japan (8.7 percent), Canada (5.9 percent), and other countries (2.9 percent) host most of these Korean students. Over the past few years, the U.S. share of the Korean study abroad market has remained fairly constant, although from 2001 it began to see a slight erosion as some Korean students considered other options to U.S. schools, primarily because of relatively higher costs to attend U.S. schools and perceived challenges to receiving a U.S. F-1 student visa. Although U.S. schools and institutes remain very popular with Koreans, other countries such as Britain, China, Australia, Japan, and Canada are also vigorously promoting themselves as attractive destinations for Korean students.

Best Products/Services

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- 6-12 month business, finance, or IT training for mid-career professionals
- Community colleges
- Vocational training in the manufacturing sector
- Short-term English language training

Opportunities

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Market demand continues to grow for short-term (four weeks to two months) or long-term (one year) English language training in U.S. schools for college students during summer (typically from the middle of June until the end of August) and/or winter breaks (typically from the end of December until the end of February). Among Korean college students, English language training in the U.S. not only improves language skills but also provides a U.S. school and cultural experience. This experience leads many students to choose the U.S. for subsequent academic study.

Participation in education fairs held in Korea is one way to recruit. The fairs are categorized by level of schools (high schools, community colleges, four-year colleges and graduate programs). Almost all education fairs are held during the spring (March) and fall (September and October).

Utilizing educational consulting agents is the most efficient way to recruit Korean students. As Korea sends the largest number of students to the U.S., choosing the right partners in Korea is key for U.S. higher education institutions to enter the Korean market.

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Trade Shows

MBA Tours

<http://www.thembatour.com/index.shtml>

American Education Fair

<http://www.isnexpo.com/>

University Fair organized by Linden Tours

http://www.lindentours.com/int_students/fairs/upcoming_fairs.shtml

Korea Student Fair

<http://www.aief-usa.org/>

Key Contacts

Ministry of Education and Human Resources

<http://english.moe.go.kr/>

Fulbright (Korean-American Educational Commission)

<http://www.fulbright.or.kr/en.php>

KOSA (Korea Overseas Studying Agencies)

<http://www.kosaworld.org/>

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Automotive Parts and Accessories

ITA CODE: APS

Overview

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	2,005	2,006	2007 (Estimate)
Total Market Size	36,667	41,741	45,999
Total Local Production	41,732	48,432	54,546
Total Exports	7,860	10,014	12,380
Total Imports	2,796	3,323	3,832

(Unit: USD million)

(Source: The above statistics are unofficial estimates based upon Korea Automotive Industry Cooperative Association reports)

[USD1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

In 2007, Korea manufactured 4 million automotive vehicles, making it the fifth largest car manufacturer in the world after the Japan, the U.S., China, and Germany. The total size of the automotive parts market was estimated at USD 46 billion in 2007, a 8 percent increase from 2006. The OEM market segment accounted for about 94 percent of total market demand and the aftermarket represented about the remaining 6 percent.

Imports increased to USD 3.8 billion in 2007 from 3.4 billion in 2006 to account for 8 percent of the total market demand. Asian countries, including Japan, are the principal exporters to Korea, accounting for 46 percent of the total import. EU and North America follow Japan with a 38 percent and 14 percent market share, respectively. CS Korea forecasts that imports will continue to grow over the next two years to reach a value of USD 4.7 billion in 2009.

Major U.S. exports items for OEM market include gear boxes, wheels, steering parts, and engine parts, among others. For aftermarket, road wheels, spark plugs, ignition cables among others are well-received U.S. products.

In the era of global competition in the automotive industry, Korean OEMs are expected to expand global outsourcing practices for the procurement of parts and accessories. Industry sources predict that the launch of Hyundai Motors' manufacturing plant in Alabama, and the planned launch of KIA Motors' Georgia plant in 2009 will accelerate the trend. As import passenger cars gain more market share in Korea, the aftermarket for replacement parts is forecast to grow as well.

Best Products/Services

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For OEMs:

- leading-edge engine designing, engine control units (ECU), electronic engine parts
- advanced core parts including automatic transmissions, anti-lock brake systems and air bags
- hybrid car and pollution-free car related technologies

For aftermarket:

- replacement parts
- spark plugs
- ignition cables
- timing belts
- wiper blades
- high-end car audio systems and components
- high-performance automotive chemicals, such as wax and rust-proofing solutions and accessories like window films.

Opportunities

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U.S. suppliers need to be aware of the competition, and offer products with a technological advantage vis-à-vis the competition. Exporters must also educate end-users about the advanced features of their products. It is strongly recommended to partner with qualified and capable Korean distributors who maintain their existing sales network to serve end-users. Exhibiting at local automotive trade shows can be a useful platform to explore the market and gain exposure to end-users.

Doing business with the Hyundai plant in the U.S. and U.S. parts suppliers with a manufacturing base in Korea is highly recommended to gain access to the Korean market. Most of the major auto parts suppliers including Delphi, Visteon, TRW, Johnson Automotive Controls, etc. have a manufacturing base in Korea.

To supply to aftermarket, U.S. exporters are recommended to explore opportunities to supply using existing OEM's after-sales service networks, automotive service franchises, independent auto service shops, etc.

Resources

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Trade Show

Korea Auto Parts & Accessories Show 2008 (KOAA Show 2008)

<http://www.koaashow.com/>

Key Contact

Ministry of Construction and Transportation

<http://www.moct.go.kr/EngHome/>

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Pollution Control Equipment

ITA CODE: POL

Overview

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	2005	2006	2007 (estimate)
Total Market Size	5,394	6,253	7,142
Total Local Production	5,177	6,015	6,882
Total Exports	301	364	428
Total Imports	518	601	688

(Unit: USD million)

(Source: The above statistics are unofficial estimates by Commercial Service Korea.)

[USD1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

Korea, like most industrialized and urbanized states, is concerned about pollution and is strengthening regulations in order to improve the environment. The Government of Korea continues to initiate and introduce national environmental projects as well as strengthening the enforcement regime. Therefore, it is government policy and action that is the driving force in the pollution control market in Korea.

CS Korea estimates the size of pollution control equipment industry at USD 7 billion in 2007. According to industry experts, imports account for about 10 percent of the total market. Japan is the principal foreign supplier with about 47 percent market share, followed by the U.S. with 32 percent market share, Germany and France.

Local environmental equipment manufacturers in Korea have supplied a major portion of environmental projects with medium-level technology and medium-cost products. While they have significantly improved their technology prowess mostly through technology transfer and merger with non-Korean suppliers, they still lack the core technologies to supply the products that meet the government's stringent regulatory requirements, and are seeking more advanced import products and technologies.

Best Products/Services

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- Volatile organic compounds (VOCs) control in oil refineries and petrochemicals
- Dioxin abatement in municipal and industrial incinerators
- Advanced sulfur oxides/nitrogen oxides (SOx/NOx) abatement in power plants and steel mills
- Energy saving and waste-to-energy in steel mills and municipal landfills
- Pollution-free and low-emission vehicles in engineering technology, engine components and parts for CNG; pollution abatement technologies for automobile, oil refinery industries
- Advanced water pollution control technology
- Environmentally friendly construction materials

Opportunities

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The Korean government plays a key role in the pollution control equipment industry, as the regulatory body and also as the biggest end-user. According to Bank of Korea statistics, the Korean government's expenditure for environmental protection was estimated at about USD 9.8 billion in 2007, near half of the total national expenditures of USD 21 billion. The general industry and pollution control service providers followed spending USD 6.5 billion, and USD 3.8 billion, respectively. For government projects, the tenders are announced on the Korean government procurement (PPS) website with detailed information on the project scope and contact information.

To enter the pollution control equipment market, U.S. suppliers are strongly recommended to partner with qualified and capable Korean companies who maintain their existing sales network to serve end-users, and are fully aware of regulatory changes that drive the market. Exhibiting at local environmental trade shows can be a good platform to explore market as well as gain exposure to end-users.

Resources

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Trade Show

International Exhibition on Environmental Technologies (ENVEX)
<http://www.envex.or.kr/envex/eng/index.asp>

Key Contacts

Ministry of Environment
<http://eng.me.go.kr/user/index.html>

Public Procurement Service (PPS)
<http://www.pps.go.kr/neweng>

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CNC Machine Tools

ITA CODE: MTL

Overview

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	2005	2006	2007(estimated)
Total Market Size	4,180	3,800	4,200
Total Local Production	3,190	3,300	3,900
Total Exports	1,265	1,350	1,650
Total Imports	2,200	1,800	1,900

(Unit: USD million)

(Source: The above statistics are unofficial estimates based upon reports from the Korea Customs Service and Machine Tool Manufacturer's Association of Korea.

[USD1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

Korea's market for machine tools has shifted from standard, cost-effective or general products to high-precision, high-speed and high-powered machine tools. In 2007, computerized numerically controlled (CNC) cutting machine tools, including lathes, milling machines, and machining centers, represented 79 percent of total domestic machine tools demand while non-CNC and metal forming machines, including presses, represented the remaining 21 percent. The biggest demand for machine tools exists in the automotive production, metal processing, electronics and precision machine industries.

The Korean Machine Tools Manufacturers Association estimates that the import market increased 5 percent from 2006 - 2007. This is largely due to the increasing demand for parts in the automotive and shipbuilding industry. According to the Korean Customs Service, the United States is the second largest importer of machine tools to Korea, with a 37 percent market share. Japan maintains a 38 percent market share and Germany holds a distant 10 share of the market. Trends over the past three years have shown the import market to be highly volatile. For example, imports increased 20 percent in 2005 to USD 2 billion only to see a 10 decline in 2006 and a slight recovery to USD 1.9 billion in 2007.

The Korean CNC machine tools industry continues to be led by investment in production facilities by major manufacturing industries, such as automobiles, shipbuilding, telecommunications, construction equipment and electronics, including the semiconductor sector. In particular, many companies are investing in factory automation that will account for growing market demand in advanced machine tools. Given the volatility of the market and the ability of Korean competitors to produce quality machine tools, US importers are most successful where they offer a cost or technological edge.

Best Products/Services

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- CNC turning centers
- CNC vertical machining centers
- CNC horizontal machining centers
- CNC 4 & 5-axis machining centers
- Machines for the production & processing of semiconductor wafers

- Machines for dry-etching patterns on semiconductor materials
- Laser cutters for the production of semiconductors

Opportunities

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For exporters of U.S. products to Korea, establishing strategic alliances, such as joint ventures or licensing agreements, with leading Korean machine tool manufacturers is recommended. Hiring local agents or distributors also is one of the most effective ways to sell U.S. products in the Korean market. Large machine tool manufacturers have expressed interest in partnering with U.S. CNC machine tool manufacturers.

Resources

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Trade Shows

Seoul International Tool & Related Equipment Exhibition
www.tool.or.kr

Korea Machinery Fair (KOMAF) 2007
www.komaf.org

Seoul International Machine Tool Show (SIMTOS) 2007
www.komma.org

Key Contacts

Industrial Machinery Division of the Ministry of Commerce, Industry & Energy:
www.mocie.go.kr

Korea Machine Tool Manufacturers Association:
www.komma.org

Korea Tools Industry Cooperative:
www.tool.or.kr

Korea Association of Machinery Industry:
www.koami.or.kr

Korea Construction Equipment Manufacturers Association:
www.kocema.org

Korea Automobile Manufacturers Association:
www.kama.or.kr

Korea Automotive (Auto Parts) Industries Cooperative Association:
www.kaica.or.kr

Korea Aerospace Industries Association:
www.aerospace.or.kr

Korea Aerospace Research Institute:

www.kari.re.kr

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Construction

ITA CODE: ACE

Overview

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	2005	2006	2007
Total Market Size	99,400	112,947	114,731
Total Local Production	103,279	129,568	154,135
Total Exports	4,076	16,730	39,800
Total Imports	197	109	397

(Unit: USD Million)

(Source: The above statistics are unofficial estimates based upon reports from the Korean National Statistical Office and the Engineering and Consulting Association of Korea.)

[USD 1= 1,000 Won (2005), 950 Won (2006), 930 Won (2007)]

Continued and strong economic growth plus increased real estate development and continued work on large-scale infrastructure projects will bring strong market opportunities in real-estate development, project and construction management, supervision, supplying construction materials, architectural design, urban planning, and civil engineering consulting services.

Korea seeks to position the nation as a logistics and financial hub of Northeast Asia. As such construction and the building of large infrastructure to meet its requirements has led to a 2007 construction bill estimated at over USD 114 billion. With Korea's accession to the World Trade Organization in 1997, the construction and civil engineering market was opened to international firms.

Korean demand for construction services is driven by demand in the following four diverse, yet closely linked construction sub-sectors: construction of residential apartment buildings, civil engineering services, construction work of commercial/ industrial facilities and government-initiated infrastructure. In 2007, Korea's spending on constructing residential buildings was estimated to be USD 55 billion and Korea's civil engineering projects was estimated to be USD 30 billion; government infrastructure projects was estimated to be USD 33 billion; while Korean investment in commercial/industrial facilities stood at USD 15 billion. Korea anticipates that spending will continue to increase due to increased residential redevelopment and government projects, which are estimated at USD 114 billion.

One significant government construction project is the government-backed Ubiquitous City development, which should add an additional USD 36 billion in projects by 2010. The Ubiquitous City development will also lead to additional technology to be incorporated as these new urban development projects will be linked with the latest information systems technology including wireless networking and RFID.

The total value of imported construction and civil engineering services was USD397 million in 2007. However, the Korean market will require higher financing capabilities and new design and engineering technologies for major urban developments. Generally these are not available in Korea and foreign real-estate developers, project management

companies and engineering companies will have opportunities to fill these important gaps. Key engineering technologies will be in demand for tourism as well as ubiquitous infrastructure, information and telecommunications, urban planning, green building, water supply, sewage and waste treatment and disposal, earthquake-proof buildings, and industrial processing facilities.

As the Korean engineering services market evolves, the demand for technically advanced services continues to rise, creating additional demand for very creative and innovative services and technologies from the U.S, Europe, and Japan. U.S. engineering firms working in Korea are expected to expand their activities into the future as U.S. companies continue to hold a strong position in advanced engineering and soft technologies.

Best Products/Services

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- Real-Estate Development & Project Management
- Engineering consulting
- Urban planning
- Ubiquitous City infrastructure
- Construction Materials
- Structural/mechanical engineering services
- Earthquake-proof engineering
- Architectural Design
- Green Building engineering

Opportunities

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New Songdo City development project --- Construction of the International Business Complex, the High-Tech Industry Park and the Biological Industry Complex.

U.S. Base Relocation Project --- U.S. Forces-Korea (USFK) relocation project is consolidated into the Land Partnership Plan (LPP) and the relocation of the Yongsan US Army Garrison. The USFK will surrender 36 bases and training facilities to the Korean government. DOD will consolidate numerous small garrisons and camps and have USFK operations move from the center of Seoul and the surrounding region to a new facility in Pyongtaek region. The prime management contract has been awarded to the U.S. engineering firm CH2M Hill and scope of work requirements and timelines are being developed.

Seoul Subway Line No. 9 Project Phase II --- Construction of a 12.5 kilometers subway in the southeast area of Seoul.

Ubiquitous City Infrastructures---There are currently 7 key Ubiquitous City development projects underway: Incheon Free Economic Zone, Busan U-City, Pankyo U-Healthcare Town, Jeju Telematics, Suwon Techno Valley, Osong U-Bio City, Changwon U-City and U-Jeonju .

Resources

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Trade Shows

Sejong-Newtech Expo 2007
www.sejongexpo.or.kr

Korea Construction Fair 2007
www.kfcis.or.kr

Conex Korea 2007
www.conexkorea.org

Key Contacts

Ministry of Construction & Transportation
www.moct.go.kr

Seoul Metropolitan City Government
www.seoul.go.kr

Incheon Metropolitan City Government
www.incheon.go.kr

Gyeonggi Provincial Government
www.gg.go.kr

Construction Association of Korea
<http://www.cak.or.kr/>

Korea Engineering & Consulting Association
www.kenca.or.kr

Korea Institute of Construction Technology
www.kict.re.kr

Construction & Economy Research Institute of Korea
www.cerik.re.kr/

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For a listing of the best prospective U.S. agricultural and food products for the Korean market, see page 25 of the Foreign Agricultural Service's [Exporter Guide](#) for Korea. Additional detailed information for each food sector can be found by searching the [Attaché reports](#) for Korea.

Korea is the fifth largest market for U.S. agricultural products. U.S. exports of agricultural products to Korea totaled USD 16.4 billion in 2006.

Changes in Korean lifestyle and dietary culture, along with remarkable development in socio-economic environment, have resulted in significantly expanded demand for processed food and beverage products. Increasing affluence, more women in the workforce, and a well-traveled younger generation looking for foods with an international flavor are promoting the rise in popularity of convenience stores, bulk retail outlets, and western-style and family restaurants. The demand for products, such as frozen vegetables, sauce preparations, and confectionery items is growing and the domestic processing industry lacks the capability to supply these items. Additionally, local agricultural output currently does not meet the demand of the local processing industry.

When considering the Korean market, U.S. food exporters should conduct preliminary research to determine if the market is appropriate for the product. Possible sources of market information include Korean importers, [U.S. state departments of agriculture](#), the [U.S. Agricultural Trade Office in Seoul](#) and the [U.S. Department of Commerce](#). Lists of Korean importers, by product, can be obtained from the [U.S. Agricultural Trade Office](#), or through the [Foreign Agricultural Service](#) in Washington, D.C. The next step might include sending catalogues, brochures, product samples, and price lists to prospective importers as a way of introducing the company and products.

Once contact is established, it is advisable to visit the importer(s) in person, which will increase the seller's credibility with the Korean importer and give an opportunity to see the Korean market first hand. In Korea the clichés about "seeing is believing" and "one visit is worth a 1,000 faxes" are especially true. There is no substitute for face-to-face meetings. The supplier or exporter should bring samples as well as product and company brochures including price lists, shipping dates, available quantities, and any other information needed for negotiating a contract. While information in English is acceptable, having it in Korean is helpful. A general overview of the firm in Korean is a good place to start.

The [Seoul Food & Hotel 2007](#) show will be held in Ilsan April 24-27, 2007. It presents an excellent opportunity to explore possible market opportunity-es in Korea. This show is a trade only show and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc. It is currently the only [USDA-supported food show](#) in Korea.

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.